

## Message Text

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PAGE 01 STATE 083882  
ORIGIN STR-07

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05  
SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01  
DOE-15 STRE-00 AF-10 ARA-10 EA-10 EUR-12 NEA-10  
OIC-02 /163 R

DRAFTED BY STR/RLMATTHSEISEN  
APPROVED BY STR/AWOLFF  
-----073047 010736Z /17  
P 010203Z APR 78  
FM SECSTATE WASHDC  
TO USMISSION GENEVA PRIORITY

C O N F I D E N T I A L STATE 083882

USMTN

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT:SAFEGUARDS BILATERAL WITH JAPAN

REF: GENEVA 3093

1. AT REQUEST OF JAPANESE EMBASSY, AMBASSADOR WOLFF, DICK MATTHEISEN AND SHIRLEY COFFIELD MET WITH JAPANESE DELEGATION (UKAWA, JAPANESE MTN DELEGATION GENEVA; IKEDA, FOREIGN MINISTRY; KURODA, MITI, NOZAKI, FINANCE, YAMAZAKI, AGRICULTURE; NANAQ, JAPAN EMBASSY, WASHINGTON) TO DISCUSS SAFEGUARD ISSUES. DISCUSSION WAS, FOR THE MOST PART, REPLAY OF U.S. MTN DELEGATION MEETING WITH SAME GROUP REPORTED REFTEL. (JAPANESE DELEGATION ALSO MET SEPARATELY WITH MATTHEISEN, COFFIELD, KELLY, FEKETEKUTY AND RIVERS OF STR AND WITH  
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VARIOUS INDIVIDUALS IN OTHER AGENCIES).

2. MAIN JAPANESE CONCERN WAS SELECTIVITY ISSUE. IN OPENING STATEMENT, IKEDA ASSERTED THAT THE PRINCIPLE OF NON-DISCRIMINATION SHOULD BE RETAINED AND EVEN STRENGTHENED. HOWEVER, IN VIEW OF THE PROMINENCE GIVEN THIS ISSUE IN THE NEGOTIATIONS SOME COMPROMISE APPEARED TO BE A FACT OF LIFE.

BUT JAPAN WAS NOT A DEMANDEUR; THE EC MUST MAKE ITS CASE. JAPAN WAS CONCERNED THAT THE U.S. (IN THE US/EC TEXT) HAD MOVED TOO FAR TOWARD THE EC POSITION. IKEDA RECALLED THAT AMBASSADOR MCDONALD SAID IN TOKYO THAT ON A SCALE OF 10, JAPAN WAS 1 ON THIS ISSUE, THE EC WAS 10 AND THE U.S. WAS

ABOUT 3; JAPANESE HOPED U.S. HAD NOT MOVED FURTHER DOWN THE SCALE.

3. IN HIGHLY QUALIFIED STATEMENT, IKEDA THEN OUTLINED ON A CONFIDENTIAL BASIS, THE FOLLOWING JAPANESE THOUGHTS ON SELECTIVITY. HE EMPHASIZED THAT THESE WERE THOUGHTS OF INDIVIDUALS (WHO DISAGREE AMONG THEMSELVES), WERE PURELY "HYPOTHETICAL," "ANALYTICAL" AND "INTELLECTUAL" AND NOT APPROVED BY THE JAPANESE GOVERNMENT. THEY WERE NOT MEANT TO PREJUDICE ULTIMATE JAPANESE POSITION ON THIS ISSUE.

A. BASIC PRINCIPLE SHOULD BE MFN; SELECTIVITY SHOULD BE EXCEPTION. CONDITIONS FOR SELECTIVE ACTION SHOULD BE STRICTER THAN FOR MFN ACTION.

B. CONDITIONS:

(A) INJURIOUS IMPORTS AND COUNTRY RESPONSIBLE MUST BE IDENTIFIED.

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(B) PRIOR NOTIFICATION AND CONSULTATION OBLIGATORY (NO PROVISIONAL ACTION).

(C) AFFECTED EXPORTING COUNTRIES MUST AGREE.

(D) IF EXPORTING COUNTRIES DON'T AGREE, MATTER SHOULD BE REFERRED TO BODY OF SIGNATORIES. IF DECISION IS AFFIRMATIVE, SELECTIVE ACTION CAN APPLY; IF NEGATIVE, NO SELECTIVE ACTION PERMITTED, OR, SELECTIVE ACTION PERMITTED SUBJECT TO AUTOMATIC RIGHT OF RETALIATION.

(E) SHORTER TIME LIMIT, NO EXTENSION, AND STEEPER DEGRESSIVITY FOR SELECTIVE ACTION.

(F) EXPORTING COUNTRY PERMITTED TO CONSULT BILATERALLY AT ANY TIME DURING SELECTIVE APPLICATION AND TO APPEAL TO BODY OF SIGNATORIES IT CONSIDERS ACTION NO LONGER WARRANTED.

(G) COMPENSATION OBLIGATORY FOR SELECTIVE ACTION. IF NO COMPENSATION, EXPORTER ALLOWED TO TAKE

"STRONGER" (PUNITIVE ?) RETALIATION.

4. AMBASSADOR WOLFF RESPONDED THAT WHILE IT WOULD BE GOOD TO THINK THAT THE MFN PRINCIPLE COULD BE STRENGTHENED IN REGARD TO SAFEGUARD ACTIONS, EXPERIENCE COULD BE STRENGTHENED IN REGARD TO SAFEGUARD ACTIONS, EXPERIENCE INDICATES THAT SOME SCOPE FOR SELECTIVITY -- FOR EXAMPLE, UNDER U.S. OMAS -- IS NECESSARY. WE CAN ACCEPT SOME SELECTIVITY IN A

REVISED SAFEGUARD SYSTEM BUT SUBJECT TO STRICT CONDITIONS AND MULTILATERAL SURVEILLANCE. THE PHRASE "THE APPROPRIATE PROCEDURE TO BE SPECIFIED" IN ARTICLE 4 OF US/EC DRAFT PERMITS THE SUGGESTION OF ANY CONSTRAINTS CONSIDERED NECESSARY AND THE EC UNDERSTANDS THIS. (WOLFF NOTED THAT CONFIDENTIAL

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US DEFINES PHRASE BROADLY ENOUGH SO THAT IT COULD INCLUDE THE TYPES OF CONSTRAINTS SUGGESTED BY IKEDA). WHILE WE APPRECIATE JAPANESE SUGGESTIONS AND WILL KEEP IN CLOSE CONTACT WITH THE JAPANESE DELEGATION, IT IS IMPORTANT THAT JAPAN ITSELF PARTICIPATE DIRECTLY IN THE NEGOTIATIONS ON ISSUES IMPORTANT TO IT. IT CANNOT CONSIDER ITSELF A DISINTERESTED PARTY ("NOT THE DEMANDEUR") ON ANYTHING THAT FUNDAMENTALLY AFFECTS JAPANESE INTERESTS.

5. AMBASSADOR WOLFF ALSO STRESSED THE IMPORTANCE OF OTHER ISSUES IN THE SAFEGUARD NEGOTIATIONS, ESPECIALLY THE NEED FOR COMPREHENSIVE COVERAGE. IN ORDER TO SATISFY THE CONGRESSIONAL MANDATE IN SECTION 121(A) (2) OF THE TRADE ACT, WE WILL HAVE TO BRING EXPORT RESTRAINTS AND ILLEGAL QRS MAINTAINED FOR SAFEGUARD PURPOSES UNDER MULTILATERAL DISCIPLINE AND PREVENT GOVERNMENTS FROM USING INTER-INDUSTRY AGREEMENTS TO CIRCUMVENT THE SYSTEM.

6. RE EXPORT RESTRAINTS, KURODA ASKED WHETHER WE WOULD BE SATISFIED TO COVER ONLY THOSE INVOLVING AN AGREEMENT (FORMAL ?) BETWEEN THE EXPORTING AND IMPORTING COUNTRIES. WE RESPONDED THAT THIS WOULD NOT BE SUFFICIENT FOR REASONS GIVEN IN PARAS 4 AND 5 OF REFTEL. KURODA INDICATED THAT THIS WAS A DELICATE, DIFFICULT ISSUE FOR JAPAN AND THAT THERE WAS MERIT IN PERMITTING A COUNTRY TO RESTRAIN EXPORTS FOR BROAD PURPOSES SUCH AS MODERATION OF EXTREME BILATERAL TRADE IMBALANCES AND AS PRE-SAFEGUARD TECHNIQUE FOR SECTOR DIFFICULTIES. IN ANY EVENT, IT WOULD BE IMPOSSIBLE TO IDENTIFY AND CONTROL ALL SUCH PRACTICES.

7. MATTHEISEN ASKED WHETHER THE JAPANESE FAIR TRADE COMMISSION PUBLISHED INFORMATION ON AUTHORIZED EXPORT CARTELS. KURODA REPLIED THAT IT HAD DONE SO IN THE PAST BUT CONFIDENTIAL

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THAT OTHER COUNTRIES (HE MENTIONED PARTICULARLY EUROPEAN  
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8. MATTHEISEN NOTED THAT THE EC HAD OFFERED TO NEGOTIATE  
ON A RANGE OF DISCRIMINATORY QRS AFFECTING JAPANESE EXPORTS  
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9. COMMENT: WE HAVE STRONG IMPRESSION FROM EXPLICIT AND  
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INFO OCT-01 EUR-12 EA-10 ISO-00 STRE-00 /030 R

66011

DRAFTED BY STR/SBWILSON/MFD

APPROVED BY STR/SBWILSON

-----094900 040426Z /70

P 040411Z APR 78

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO PRIORITY

AMEMBASSY BRUSSELS

C O N F I D E N T I A L STATE 083882

USEEC

FOL RPT STATE 083882 ACTION GENEVA 1 APR 78 QUOTE

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UNQUOTE VANCE

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## Message Attributes

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**Review Markings:**  
Sheryl P. Walter  
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US Department of State  
EO Systematic Review  
20 Mar 2014  
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